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November 28, 2006

Deena L. Frankel
Executive Director
Vermont Public Service Board
112 State Street
Montpelier, VT 05620

Re: Legislative proposals for affordable electric rates

Dear Deena:

I am writing in support of the legislation proposed by AARP-VT. This is a crucial time to start to bring energy affordability to low-income Vermonters, and the AARP proposal represents a good balance of targeting, efficiency, and adequacy.

Necessity. Electric service is a necessity of life. It is clear that some significant segment of the population cannot afford their electric bills. Electric disconnections have been high for years, and the rate shows no sign of abating. For instance, there were 7,758 disconnections in 2005, compared to 7,900 in 1992. Thus, whatever may have changed in almost fifteen years, electric disconnection and unaffordability have continued to be unacceptably high. It is also clear that disconnection statistics understate the affordability problem, since the utilities also enter into many payment agreements or other informal measures to forestall disconnection. Thus, the time has long past to take action to address the problem of unaffordable electric bills.

Adequacy. The AARP is adequate both because it serves all Vermonters whose income is at or below 150% of the federal poverty guideline, or who receive means-targeted assistance from the Agency of Human Services, so the program is adequate in scope. Moreover, by providing for discounts that cap eligible households' electric liability to 5% of their income, it provides effective and adequate bill payment relief, thereby achieving its goal of creating affordable electric bills. This program will thereby reduce involuntary disconnection, as well as enhancing the health and safety

of households that are now paying an unreasonably high proportion of their income for electric service.

Program design. To be effective, any program must include the following characteristics: effectiveness, relation to ability to pay, conservation incentive, linkages to other programs, and administrative efficiency. The AARP proposal is an excellent balance of these factors. What the tiered discount program design lacks in targeting it makes up in efficiency and ease of administration. The automatic enrollment concept helps to ensure adequate targeting and fosters linkages to LIHEAP and efficiency programs. The fixed discount and payment requirements provide an adequate incentive for responsible bill payment and consumption patterns by program participants.

In addition to these points, I join in the comments provided by Michael Sirotkin for the Coalition of Vermont Elders.

Very truly yours,

John J. McCullough III